

## Message Text

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C O N F I D E N T I A L STATE 201758

EXDIS DISTRIBUTE AS NODIS

FOLLOWING REPEAT 1370, SENT SECSTATE, AUGUST 25

QUOTE C O N F I D E N T I A L JERUSALEM 1370

EXDIS DISTRIBUTE AS NODIS

FOR EB-ENDERS AND S/P- LEWIS FROM LORD

E.O. 11652: GDS

TAGS: PFOR, ENRG, UNGA

SUBJECT: SECRETARY'S UNGA SPEECH: SECTION ON TRADE

1. FOLLOWING IS THE SECTION ON TRADE: BEGIN TEXT

TRADE

(COMMENT: WE NEED A THEORETICAL BEGINNING TO THIS SECTION THAT RELATES TO THE OVERALL STRUCTURE OF THE SPEECH, MAKES CLEAR WHY TRADE IS IMPORTANT FOR DEVELOPMENT, GIVES A SENSE OF URGENCY AND SETS A FRAMEWORK FOR THE SOLUTIONS THAT FOLLOW. YOU CAN DRAW ON MATERIAL ALREADY HERE BUT A COMPLETE REWRITE WITH NEW MATERIAL IS NEEDED.)

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THE THIRD BASIC AREA FOR OUR ATTENTION IS THE WORLD

TRADING SYSTEM. IMPROVING THAT SYSTEM WILL MAGNIFY OUR SUCCESS IN EVERY OTHER AREA OF EFFORT. FOR TRADE MEANS COMPARATIVE ADVANTAGE, SPECIALIZATION, THE EXCHANGE OF TECHNOLOGY, THE MOVEMENT OF CAPITAL, THE SPUR TO PRODUCTIVITY THAT COMPETITION PROVIDES--AND THESE ARE CRUCIAL FORCES FOR EFFICIENCY AND EXPANSION. IT IS NO ACCIDENT, THEREFORE, THAT THE DEVELOPMENT SUCCESS STORIES OF THE PAST THREE DECADES HAVE BEEN THOSE VERY COUNTRIES THAT HAVE TAKEN FULL ADVANTAGE OF THE OPPORTUNITIES IN WORLD TRADE.

TRADE HAS BEEN THE GREAT DRIVING FORCE IN THE UNPRECEDENTED EXPANSION OF THE WORLD ECONOMY OVER THE LAST THIRTY YEARS. EXPANDING COMMERCE FOSTERS BALANCED GROWTH IN ALL COUNTRIES. IT ENABLES DEVELOPING COUNTRIES TO EARN MORE INCOME AND REDUCE THEIR DEPENDENCY ON AID. IT HELPS THEM FINANCE IMPORTS OF EQUIPMENT FOR DEVELOPMENT AND FOOD FOR GROWING POPULATIONS. FOR ADVANCED NATIONS, GROWTH IN WORLD TRADE CAN STIMULATE RECOVERY AND EXPANSION, LOWER COSTS, AND INCREASE THE VARIETY OF GOODS FOR CONSUMERS.

BUT TODAY THE WORLD TRADING SYSTEM IS SEVERELY MENACED BY THE PROSPECT OF A NEW PROLIFERATION OF ARTIFICIAL BARRIERS, RESTRICTIONS AND METHODS OF UNFAIR COMPETITION. THE DANGER IS HEIGHTENED BY THE MOST SERIOUS RECESSION SINCE THE SECOND WORLD WAR. EVERY DAY THAT ECONOMIC RECOVERY IS DELAYED, THE TEMPTATION GROWS TO RESTRICT IMPORTS, TO SUBSIDIZE EXPORTS UNFAIRLY OR TO RESTRICT THE EXPORT OF SCARCE ITEMS.

CONCERTED ACTION IS NECESSARY NOW -- NOT ONLY TO ACHIEVE ECONOMIC RECOVERY BUT TO SAFEGUARD AND IMPROVE THE OPEN TRADING SYSTEM ON WHICH ALL OUR PROSPERITY DEPENDS.

THE MULTILATERAL TRADE NEGOTIATIONS THAT ARE NOW TAKING PLACE IN GENEVA ARE CENTRAL TO THIS TASK. THESE NEGOTIATIONS WILL HAVE A PROFOUND IMPACT ON THE FUTURE OF THE WORLD ECONOMY AND THE PROSPECTS FOR DEVELOPMENT.

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IF THEY FAIL, WE RISK A SERIOUS SLIDE INTO AN INCREASINGLY FRAGMENTED, CLOSED WORLD OF NATIONALISM AND BLOCS, OF INEFFICIENCY AND STAGNATION, OF MOUNTING ECONOMIC AND POLITICAL FRICTIONS.

IF THEY SUCCEED, ALL COUNTRIES WILL BENEFIT FROM THE REDUCTION OF BARRIERS AND THE FREER FLOW OF GOODS, CAPITAL AND SERVICES. AND THERE WILL BE A MAJOR ADVANCE TOWARD A MORE OPEN,

PROSPEROUS AND COOPERATIVE WORLD.

WE BELIEVE THE OUTCOME OF THE NEGOTIATIONS DEPENDS CRITICALLY ON PROTECTING THE INTERESTS AND ADVANCING THE PARTICIPATION OF THE DEVELOPING COUNTRIES IN THE WORLD TRADING SYSTEM. THIS IS OF DIRECT CONCERN TO THE DEVELOPED COUNTRIES THEMSELVES, BECAUSE WITHOUT THE COOPERATION OF THE DEVELOPING NATIONS, WE CANNOT BE ASSURED OF ACCESS TO VITAL RAW MATERIALS OR TO EXPANDING MARKETS. AND IT IS IN THE GLOBAL INTEREST, BECAUSE CREATING BETTER OPPORTUNITIES IN WORLD TRADE FOR ALL COUNTRIES IS VITAL TO THE HOPES OF MILLIONS FOR ECONOMIC GROWTH AND DEVELOPMENT.

TO IMPROVE THE WORLD TRADING SYSTEM AND TO MAKE IT BETTER SERVE OUR DEVELOPMENT GOALS, THE UNITED STATES WILL WORK TO ENSURE THE SUCCESS OF THESE NEGOTIATIONS. LET ME BRIEFLY OUTLINE OUR APPROACH.

FIRST, THERE MUST BE FUNDAMENTAL STRUCTURAL IMPROVEMENT IN THE RELATIONSHIP OF THE DEVELOPING COUNTRIES TO THE WORLD TRADING SYSTEM. WHEN THEY ARE AT THE CRITICAL STAGES OF DEVELOPMENT, THEY SHOULD RECEIVE MORE FAVORABLE TREATMENT. THIS INVOLVES A VARIETY OF APPROACHES SUCH AS PREFERENCES, SPECIAL CONCESSIONS AND EXCEPTIONS DESIGNED TO TAKE ACCOUNT OF THEIR ECONOMIC STATUS. BUT THESE COUNTRIES THEMSELVES MUST CONTRIBUTE TO THE SUCCESS OF THE NEGOTIATIONS IF CONCESSIONS GRANTED THEM IN THIS AND EARLIER ROUNDS ARE TO BE MAINTAINED. AND AS THEY PROGRESS TO A HIGHER LEVEL OF DEVELOPMENT, THEY MUST GRADUALLY ACCEPT THE OBLIGATIONS OF RECIPROCITY AND STABILITY OF TRADING ARRANGEMENTS WHICH

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OTHER ADVANCED COUNTRIES UNDERTAKE. PREFERENTIAL TREATMENT CANNOT BE MAINTAINED INDEFINITELY WITHOUT REGARD TO THEIR LEVEL OF PROGRESS. AT SOME POINT THEY WILL BE PREPARED TO COMPETE ON MORE EQUAL TERMS, EVEN AS THEY DERIVE MORE BENEFIT FROM THE FLOWS OF GLOBAL TRADE.

WE MUST APPLY BOTH THESE PRINCIPLES -- AND WITH EQUAL FORCE.

SECOND, WE MUST WORK TO OPEN UP TRADING OPPORTUNITIES IN THE MANUFACTURING SECTORS FOR THE DEVELOPING COUNTRIES. THESE PROVIDE THE MOST PROMISING NEW AREA FOR EXPORTS AT THE CRITICAL STAGE IN DEVELOPMENT, BUT THE TARIFFS OF INDUSTRIAL COUNTRIES REPRESENT A MAJOR OBSTACLE. TO EASE THIS PROBLEM WE HAVE AGREED WITH OTHER NATIONS TO IN-

STITUTE A PROGRAM OF GENERALIZED TARIFF PREFERENCES FOR DEVELOPING COUNTRIES. I AM AUTHORIZED TO ANNOUNCE TODAY THAT ON JANUARY 1, 1976, THE UNITED STATES WILL PUT ITS PROGRAM INTO EFFECT. AND BEFORE THAT DATE, WE WILL BEGIN CONSULTATIONS AND PRACTICAL ASSISTANCE TO ENABLE EXPORTING COUNTRIES TO BENEFIT FROM THIS SYSTEM AND THE NEW TRADE OPPORTUNITIES THAT IT WILL AFFORD.

THIRD, WE SHOULD NOW WORK ON THE SERIOUS PROBLEM THAT REMAINS OF THE SYSTEM OF PROTECTION IN THE INDUSTRIALIZED COUNTRIES THAT FAVORS THE IMPORT OF RAW MATERIALS OVER THE IMPORT OF MANUFACTURED OR PROCESSED GOODS. MANY COUNTRIES IMPOSE LOW OR NO DUTIES ON RAW MATERIAYS AND HIGH DUTIES ON MANUFACTURED OR PROCESSED GOODS; THE TARIFF PROTECTION INCREASES OR "ESCALATES" WITH THE DEGREE OF PROCESSING. NOTHING COULD BE BETTER CALCULATED TO DISCOURAGE AND LIMIT THE GROWTH OF MANUFACTURING INDUSTRIES IN DEVELOPING COUNTRIES. IN THE TRADE NEGOTIATIONS, THE UNITES STATES WILL MAKE A SPECIAL EFFORT TO REDUCE THESE BARRIERS.

IN RETURN, THE DEVELOPING COUNTRIES SHOULD NOT WITHOLD OR INTERFERE WITH THE NORMAL SUPPLY OF THE MATERIALS THEY PRODUCE. IN THE TRADE NEGOTIATIONS WERE PROPOSE TO NEGO-  
TIAE RULES LIMITING AND GOVERNING THE  
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USE OF EXPORT RESTRAINTS, MUCH ALONG THE LINES OF EXISTING REULES THAT GOVERN IMPORT RESTRAINTS. THE UNITED STATES IS PREPARED, IN OUR PARTNERS ARE AS WELL, TO NEGOTIATE SPECIFIC COMMITMENTS TO GUARANTEE THE AVAILABILITY OF SUPPLY OF COMMODITIES WE EXPORT.

FOURTH, WE SHOULD ADAPT THE RULES ON NON-TARIFF BARRIERS TO THE SITUATION OF DEVELOPING COUNTRIES. IN THE NEGOTIATIONS ON GOVERNMENT PROCUREMENT PRACTICES, FOR EXAMPLE, THE UNITED STATES IS PREPARED TO GIVE SPECIAL CONSIDERATION TO THESE NATIONS. (COMMENT: EXPLAIN BRIEFLY, AT LEAST TO THE SECRETARY.)  
IN THE  
NEGOTIATIONS ON THE USE OF COUNTERVAILING DUTIES TO OFFSET GOVERNMENT SUBSIDIES, WE ARE PREPARED TO PERMIT CERTAIN FORMS OR DEGREES OF SUBSIDY FOR ACHIEVING PARTICULAR DEVELOPMENT OBJECTIVES WITHOUT TRIGGERING COUNTERVAILING ACTION.

FINALLY, WE SHOULD WORK NOR AN EARLY AGREEMENT ON THE TROPICAL PRODUCTS THAT ARE A MAJOR SOURCE OF EARNINGS FOR THE DEVELOPING WORLD. THE UNITES STATES WILL IMPLEMENT

ITS TARIFF CUTS ON TROPICAL PRODUCTS AS SOON AS THE PACKAGE HAS BEEN NEGOTIATED, RATHER THAN AWAITING THE COMPLETION OF THE TRADE NEGOTIATIONS.

FOR MANY OF THE DEVELOPING COUNTRIES THE CRUCIAL AREA NOT ONLY IN TRADE BUT IN THEIR OVERALL ECONOMIC PERFORMANCE IS IN THE FIELD OF COMMODITIES. THEREFORE, LET ME NOW TURN TO THAT SUBJECT. (COMMENT: HOPE YOU CAN COME UP WITH A BETTER TRANSITION THAN THIS. ALTERNATIVELY, YOU MAY BELIEVE THAT THE COMMODITIES SECTION SHOULD PROCEED THIS TRADE SECTION. WE WELCOME YOUR SUGGESTIONS AND TRANSITIONS.) NEWLIN UNQUOTE. INGERSOLL

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